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SUBJECT: AER LINGUS DECIDES AGAINST BOEING FOR NEW
LONG-HAUL AIRCRAFT

¶1. On May 16, Aer Lingus CEO Dermot Mannion told the Ambassador that the carrier had effectively decided against Boeing for a planned purchase of 8-12 long-haul planes, which could have netted the U.S. manufacturer roughly USD one billion. Mannion noted that he had ended talks with Boeing on May 6, having been unable to come to terms on pricing for the 787 Dreamliner and on a delivery package for interim aircraft pending the 787s' projected 2012 delivery. Aer Lingus, he added, had accepted Boeing's decision to set a late April/early May deadline for a purchase decision, given the queue of carriers that wished to place 787 orders. (Note: A Boeing sale had been the Embassy's highest commercial advocacy priority over the past year.)

¶2. Mannion pointed out that Aer Lingus had not yet completed a deal with Airbus for A350 aircraft. He noted that interim deliveries of A330s would feature centrally in an agreed package (with Aer Lingus having leased two A330s this year in anticipation of new U.S. market opportunities with U.S.-EU Open Skies). Mannion cited speculation that the dollar's recent weakening might help to close the 15 percent price differential between the 787 and A350, but he explained that Airbus aircraft were also priced in dollars. When the Ambassador asked whether theoretical difficulties in closing a deal for A350s might lead Aer Lingus to reconsider the 787 option, Mannion said that he could not envision reopening talks with Boeing.

¶3. Mannion expressed confidence that Airbus would build the newer version of the A350, despite doubts expressed by some aviation industry watchers. In any case, Aer Lingus planned to add provisions to a sales agreement to protect against the possibility of Airbus delaying or discontinuing the aircraft's development. He said that there were orders for roughly 100 A350s from 10 customers who had stayed with Airbus from the old A350 program. There were also memoranda of understanding with 3 or 4 carriers for 60-70 A350s, as well as 2-3 new contracts pending with customers who had not been part of the old A350 program. Mannion expected that, once the program for the A380 picked up steam and generated revenues, Airbus would be in a position to accelerate development of the new A350.

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